

**ANNUAL FINANCIAL REPORT**  
**INDEPENDENT SCHOOL DISTRICT NO. 1**  
**GUTHRIE PUBLIC SCHOOL DISTRICT**  
**LOGAN COUNTY, OKLAHOMA**  
**JULY 1, 2010 TO JUNE 30, 2011**

GUTHRIE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 1  
LOGAN COUNTY, OKLAHOMA  
JUNE 30, 2011

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GUTHRIE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 1  
LOGAN COUNTY, OKLAHOMA  
JULY 1, 2010 TO JUNE 30, 2011

SCHOOL DISTRICT BOARD MEMBERS

Orville Cornelius  
Colette Datin  
Jody Walker  
Janna Pierson  
Jerry Welch  
Mark Swartzbaugh  
Nancy Grantham – July 1, 2010 to April 11, 2011  
Tom Holtz – May 9, 2011 to June 30, 2011

SUPERINTENDENT OF SCHOOL DISTRICT

Terry Simpson

CLERK OF THE BOARD

Mark Swartzbaugh

SCHOOL DISTRICT TREASURER

Donna Scheihing

# PUTNAM & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

169 S.E. 32<sup>ND</sup>

EDMOND, OKLAHOMA 73013

(405) 348-3800

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education Independent School District No. 1  
Logan County, Oklahoma

We have audited the accompanying fund type and account group financial statements of Guthrie School District No. 1, Logan County, Oklahoma, as listed in the table of contents as combined financial statements, as of and for the year ended June 30, 2011. These financial statements are the responsibility of the Guthrie School District, No. 1, Logan County, Oklahoma. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of Guthrie School District No. 1, Logan County, Oklahoma, as of June 30, 2011, and the revenues collected, expenditures paid/expenses, and cash flows of each fund type, where applicable, for the year then ended on the regulatory basis of accounting described in Note I.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the fund type and account group financial statements within the combined financial statement. The combining fund statements and schedules and other schedules as listed in the table of contents under other supplementary information are presented for purposes of additional analysis. This other supplementary information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole on the regulatory basis of accounting described in Note I.

This report is intended solely for the information and use of the Board of Education of Guthrie School District No. 1, Oklahoma State Department of Education, and certain federal regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Putnam & Company*  
Putnam & Company, PLLC

Edmond, Oklahoma  
February 29, 2012

## **COMBINED FINANCIAL STATEMENTS**

**GUTHRIE SCHOOL DISTRICT NO. 1  
LOGAN COUNTY, OKLAHOMA  
COMBINED STATEMENT OF ASSETS AND LIABILITIES  
(ALL FUND TYPES AND ACCOUNT GROUPS) - REGULATORY BASIS  
JUNE 30, 2011**

	Governmental Fund Types			Fiduciary Fund Types	Account Group	Totals
	General	Special Revenue	Debt Service	Trust and Agency	General Long-Term Debt	(Memorandum Only)
<u>ASSETS</u>						
Cash and Cash Equivalents	\$3,161,783	986,829	770,405	368,401		5,287,418
Amount available in Debt Service Fund					72,157	72,157
Amount to be provided for retirement of General Long-Term Debt					232,023	232,023
<b>Total Assets</b>	<b>\$3,161,783</b>	<b>986,829</b>	<b>770,405</b>	<b>368,401</b>	<b>304,180</b>	<b>5,591,598</b>
<u>LIABILITIES</u>						
Warrants Payable	\$450,621	55,160		24,991		530,772
General Obligation Bonds Payable			689,000		291,000	980,000
Interest Payable on Bonds			9,248		13,180	22,428
<b>Total Liabilities</b>	<b>450,621</b>	<b>55,160</b>	<b>698,248</b>	<b>24,991</b>	<b>304,180</b>	<b>1,533,200</b>
<u>FUND EQUITY</u>						
Fund Balances:						
Reserved for Encumbrances	197,330	218,175				415,505
Designated for Debt Service			72,157			72,157
Designated for Student Activities				273,953		273,953
Fund Balance	2,513,832	713,494		69,457		3,296,783
<b>Total Fund Balance</b>	<b>2,711,162</b>	<b>931,669</b>	<b>72,157</b>	<b>343,410</b>	<b>0</b>	<b>4,058,398</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$3,161,783</b>	<b>986,829</b>	<b>770,405</b>	<b>368,401</b>	<b>304,180</b>	<b>5,591,598</b>

The notes to the financial statements are an integral part of this statement.

**GUTHRIE SCHOOL DISTRICT NO. 1  
LOGAN COUNTY, OKLAHOMA  
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

	Governmental Fund Types			Fiduciary Fund Types	Totals
	General	Special Revenue	Debt Service	Trust and Agency	(Memorandum Only)
<b>REVENUES:</b>					
Local Sources	\$4,415,461	1,024,196	898,718	1,012,324	7,350,699
Intermediate Sources	660,075				660,075
State Sources	12,662,381	154,397	907		12,817,685
Federal Sources	2,683,398	856,641			3,540,039
<b>Total Revenues</b>	<b>20,421,315</b>	<b>2,035,234</b>	<b>899,625</b>	<b>1,012,324</b>	<b>24,368,498</b>
<b>EXPENDITURES:</b>					
Instruction	12,077,101	4,595		11,500	12,093,196
Support Services	7,278,977	466,747		35,567	7,781,291
Non-Instructional Services	26,704	1,386,478		919,277	2,332,459
Facilities Acquisition & Construction Services		161,058			161,058
Other Outlays	38,689	1,300			39,989
Repayments		443			443
<b>DEBT SERVICE</b>					
Bonds Paid			866,000		866,000
Coupons Paid			41,820		41,820
<b>Total Expenditures</b>	<b>19,421,471</b>	<b>2,020,621</b>	<b>907,820</b>	<b>966,344</b>	<b>23,316,256</b>
Revenues Over (Under) Expenditures	999,844	14,613	(8,195)	45,980	1,052,242
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from Sale of Bonds					0
Estopped Warrants	317	562			879
Deobligation of Prior Year Funds	33,858	(30,357)			3,501
Return of Assets	147,320	1,900	200		149,420
<b>Total Other Financing Sources (Uses)</b>	<b>181,495</b>	<b>(27,895)</b>	<b>200</b>	<b>0</b>	<b>153,800</b>
Revenue and Other Sources Over (Under) Expenditures and Other Uses	1,181,339	(13,282)	(7,995)	45,980	1,206,042
Fund Balance, Beginning of Year	1,332,493	726,776	80,152	297,430	2,436,851
Fund Balance, End of Year	<u>\$2,513,832</u>	<u>713,494</u>	<u>72,157</u>	<u>343,410</u>	<u>3,642,893</u>

The notes to the financial statements are an integral part of this statement.



**GUTHRIE SCHOOL DISTRICT NO. 1**  
**LOGAN COUNTY, OKLAHOMA**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**GENERAL FUND AND BUDGETED SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund			Special Revenue Funds		
	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>						
Local Sources	\$3,959,179	4,415,461	456,282	1,001,255	1,024,196	22,941
Intermediate Sources	625,684	660,075	34,391			0
State Sources	12,975,458	12,662,381	(313,077)	143,579	154,397	10,818
Federal Sources	1,645,277	2,683,398	1,038,121	820,529	856,641	36,112
<b>Total Revenues</b>	<b>19,205,598</b>	<b>20,421,315</b>	<b>1,215,717</b>	<b>1,965,363</b>	<b>2,035,234</b>	<b>69,871</b>
<b>EXPENDITURES :</b>						
Instruction	12,616,652	12,077,101	539,551	7,055	4,595	2,460
Support Services	7,764,709	7,278,977	485,732	979,277	466,747	512,530
Non-Instructional Services	104,090	26,704	77,386	1,511,057	1,386,478	124,579
Facilities Acquisition & Construction Services			0	163,510	161,058	2,452
Other Outlays	52,640	38,689	13,951	29,090	1,300	27,790
Repayments			0	2,150	443	1,707
<b>Total Expenditures</b>	<b>20,538,091</b>	<b>19,421,471</b>	<b>1,116,620</b>	<b>2,692,139</b>	<b>2,020,621</b>	<b>671,518</b>
Revenues Over (Under) Expenditures	(1,332,493)	999,844	2,332,337	(726,776)	14,613	741,389
<b>OTHER FINANCING SOURCES (USES):</b>						
Estopped Warrants		317	317		562	562
Deobligation of Prior Year Funds		33,858	33,858		(30,357)	(30,357)
Return of Assets		147,320	147,320		1,900	1,900
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>181,495</b>	<b>181,495</b>	<b>0</b>	<b>(27,895)</b>	<b>(27,895)</b>
Revenue and Other Sources Over (Under) Expenditures and Other Uses	(1,332,493)	1,181,339	2,513,832	(726,776)	(13,282)	713,494
Fund Balance, Beginning of Year	1,332,493	1,332,493	0	726,776	726,776	0
<b>Fund Balance, End of Year</b>	<b>\$0</b>	<b>2,513,832</b>	<b>2,513,832</b>	<b>0</b>	<b>713,494</b>	<b>713,494</b>

The notes to financial statements are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

**GUTHRIE SCHOOL DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Guthrie Public Schools Independent District No. 1, Logan County, Oklahoma (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The District is a corporate body for public purposes created under Title 70 of the Oklahoma statutes and accordingly is a separate entity for operating and financial reporting purposes.

The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District.

In evaluating how to define the district, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

Based upon the application of these criteria, there are no potential component units included in the District's reporting entity.

**B. Fund Accounting and Description of Funds**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

**GUTHRIE SCHOOL DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**B. Fund Accounting and Description of Funds – (continued)**

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate “fund types.”

**Governmental Fund Types**

Governmental funds are used to account for all or most of a government’s general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

General Fund – The general fund is used to account for all financial transactions, except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Salary Incentive Aid program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

Special Revenue Fund – The special revenue fund is the District’s Building Fund. The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

The Child Nutrition Fund derives monies from State, Federal and local sources.

Debt Service Fund – The debt service fund is the District’s Sinking Fund and is used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

Capital Projects Fund – The capital projects fund is the District’s Bond Fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

**Fiduciary Fund Types**

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a trust agreement, trust funds are used for their accounting and reporting. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

**GUTHRIE SCHOOL DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Agency Fund – The Agency fund is the School Activities fund, which is used to account for monies, collected principally through fundraising efforts of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, of collecting, disbursing and accounting for these activity funds.

Account Groups

Account groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets not accounted for in proprietary funds.

General Long-Term Debt Account Group – This account group was established to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for liabilities for compensated absences and early retirement incentives, which are to be paid from funds provided in future years.

General Fixed Asset Account Group – This account group is used to account for property, plant, and equipment of the school district. The District does not have the information necessary to include this group in its combined financial statements.

Memorandum Only – Total Column - The total column on the general purpose financial statements is captioned “memorandum only” to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. Basis of Accounting and Presentation

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education (OSDE) as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

**GUTHRIE SCHOOL DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

C. Basis of Accounting and Presentation – (continued)

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the District must hold an election on the second Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate.

The District may upon approval by a majority of the electors of the District voting on the question make the ad valorem levy for emergency levy and local support levy permanent. Under current Oklahoma Statutes, a formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

E. Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents – For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments – Investments consist of direct obligations of the United States Government and Agencies with maturities greater than three months when purchased. All investments are recorded at cost, which approximates market value.

Property Tax Revenues – The district is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the district. The county assessor, upon receipt of the certification of tax levies from the County Excise Board, extends the tax levies on the tax roll for submission to the County Treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

**GUTHRIE SCHOOL DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

E. Assets, Liabilities, and Fund Equity – (continued)

Inventories – The value of consumable inventories at June 30, 2011 is not material to the basic financial statements.

Capital Assets – The accounting treatment over capital assets (property, plant, and equipment) depends on whether the assets are used in governmental fund-type operations or proprietary fund-type operations. Fixed assets used in governmental fund-type operations (general fixed assets) are recorded for as capital outlay expenditures of the governmental fund-type upon acquisition and are recorded as property, plant, and equipment in the General Fixed Asset Account Group. Fixed assets used in proprietary fund-type operations are accounted for as property, plant, and equipment within the proprietary fund itself.

All fixed assets are valued at historical cost, or estimated cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Depreciation and accumulated depreciation are not reported against general fixed assets.

Compensated Absences – The district provides vacation and sick leave benefits in accordance with Oklahoma Statutes, which provides for annual sick leave and personal business days. Accrued vacation and sick leave benefits are not reflected in the financial statements because such statements are prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. There are no amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources.

Long-Term Debt – Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Fund Balance – Fund balance represents the cash and investments not encumbered by purchase order, legal contracts, and outstanding warrants.

F. Revenue, Expenses, and Expenditures

State Revenues – Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts.

**GUTHRIE SCHOOL DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

F. Revenue, Expenses, and Expenditures – (continued)

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided. These rules also require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

Interfund Transactions – Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditure/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

**2. DEPOSIT AND INVESTMENT RISKS**

***Custodial Credit Risk*** - The District's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct debt obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2011, the District was not exposed to custodial credit risk as defined above.

***Investment Credit Risk*** – The District's investment policy limits investments to those allowed in state law applicable to school districts as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.



**GUTHRIE SCHOOL DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Investment Credit Risk (continued)** - Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

**Investment Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District’s investment policy limits investments to those with a short-term maturities, as a means of managing exposure to fair value losses arising from increasing interest rates. The District discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

**Concentration of Investment Credit Risk** – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the District (any over 5 percent are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The District’s investment policy requires diversification of investments.

At June 30, 2011, the District had no concentration of credit risk as defined above.

**3. INTERFUND RECEIVABLES AND PAYABLES**

There were no Interfund receivables or payables at June 30, 2011.

**4. CAPITAL ASSETS**

The District maintains historical capital asset and depreciation records. Although this information is not required in the accompanying (regulatory basis) financial statements, it is presented below as supplemental information. The District utilizes the straight-line method to calculate annual depreciation based upon the following estimated useful lives:

	<u>Useful Life</u>
Buildings and Structures	10-45 years
Vehicles	6 years
Equipment	5-10 years

Capital asset activity for the year ended, as follows:

	Balance June 30, 2010	Additions/ Disposals	Transfers	Balance June 30, 2011
Buildings & Structures	\$ 18,532,681	134,595		18,667,276
Vehicles	2,434,047	( 43,095)		2,390,952
Equipment	760,484	(225,271)		535,213
Accumulated Deprec.	( 9,540,282)	(513,419)		( 10,053,701)
Net Assets	<u>\$ 12,186,930</u>	<u>(647,190)</u>		<u>11,539,740</u>

**GUTHRIE SCHOOL DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**5. GENERAL LONG-TERM DEBT**

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years from the date of issue.

General long-term debt of the District consists of bonds payable, obligations for compensated absences, and capital leases. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2011:

	<u>Bonds Payable</u>	<u>Capital Leases</u>	<u>Total</u>
Balance, July 1, 2010	\$ 1,905,000	594,363	\$ 2,499,363
Additions			
Retirements	925,000	52,293	977,293
Balance, June 30, 2011	\$ 980,000	542,070	\$ 1,522,070

A brief description of the outstanding long-term debt at June 30, 2011 is set forth below:

	<u>Amount Outstanding</u>
<u>General Obligation Bonds</u>	
Independent School District No. 1 Building Bonds, Series 2007, original Issue \$1,455,000, interest rate of 3.50% to 4.35% due in annual installments of \$350,000, final payment \$405,000.00 due June 1, 2012.	\$ 405,000
Independent School District No. 1 Building Bonds, Series 2003, original Issue \$3,800,000, interest rate of 2.00% to 2.80%, due in annual installments of \$350,000, final payment of \$575,000 due July 1, 2011.	575,000

**GUTHRIE SCHOOL DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**5. GENERAL LONG-TERM DEBT** -(continued)

Capital Leases

Lease purchase for copiers, original issue \$137,000 dated September 14, 2009, interest rate of 4.25%, due in annual principal and interest installments of \$2,542.76 beginning October 14, 2009, with the final payment due September 14, 2014 92,226

Lease purchase for buses, original issue \$517,734 dated December 14, 2009, interest rate of 4.00% due in monthly principal and interest installments of \$9,475.80 beginning January 14, 2010, with the final payment due January 14, 2015 371,025

Lease purchase modular building, original issue \$83,258 dated April 11, 2011, interest rate of 2.90%, due in annual principal and interest installments of \$2,417.88 beginning May 11, 2011, with the final payment due April 11, 2014 78,819

TOTAL \$ 1,522,070

The annual debt service requirements for retirement of bond principal and payment of interest are as follows:

Year ending <u>June 30</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,134,906	\$ 40,729	\$ 1,175,635
2013	160,980	12,257	173,237
2014	162,443	5,948	168,391
2015	----- 63,741 -----	----- 714 -----	----- 64,455 -----
	<u>\$ 1,522,070</u>	<u>\$ 59,647</u>	<u>\$ 1,581,718</u>

Interest expense related to outstanding bonds during the current year totaled \$41,820.

**GUTHRIE SCHOOL DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**6. EMPLOYEE RETIREMENT SYSTEM**

Basis of Accounting

The System's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The financial statements have also been prepared in compliance with the requirements of the Government Accounting Standards Board Statement No. 34.

The financial statements are prepared on the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are recognized when due, pursuant to formal commitments. Benefits and refunds are recognized when due and payable.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. Actuarial valuations are not performed on individual school districts. The nonfunded pension benefit obligation of the System, as determined as part of the latest actuarial valuation indicates a significant unfunded pension benefit obligation.

Funding Policy

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two (62) or with reduced benefits as early as age fifty-five (55). The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent of the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his/her accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000.00 and the participant's contributions plus interest. If the beneficiary is a surviving spouse, the surviving spouse may, in lieu of the death benefit elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death. The contribution rates for the Districts, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. Employers' contribution of applicable earnings was 9.5% for the fiscal year ended June 30, 2011

Annual Pension Cost

The District's contribution to the System for the year ending June 30, 2011, was \$1,198,507.99. The District's total payroll for fiscal year 2010-11 was \$12,615,899.76.

**GUTHRIE SCHOOL DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**7. CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

**8. RISK MANAGEMENT AND LITIGATION**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, employees' health and life, and natural disasters. The District manages these various risks of loss through the purchase of commercial insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**9. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through February 29, 2012, which is the date the financial statements were issued.

**OTHER SUPPLEMENTARY INFORMATION**

**GUTHRIE SCHOOL DISTRICT NO. 1  
LOGAN COUNTY, OKLAHOMA  
COMBINING STATEMENT OF ASSETS AND LIABILITIES - REGULATORY BASIS  
SPECIAL REVENUE FUNDS  
JUNE 30, 2011**

	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>SCHOOL AGE CARE FUND</u>	<u>TOTALS (Memorandum Only)</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	<u>\$776,415</u>	<u>169,856</u>	<u>40,558</u>	<u>986,829</u>
 Total Assets	 <u><u>\$776,415</u></u>	 <u><u>169,856</u></u>	 <u><u>40,558</u></u>	 <u><u>986,829</u></u>
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Warrants Outstanding	<u>\$32,183</u>	<u>17,868</u>	<u>5,109</u>	<u>55,160</u>
 Total Liabilities	 <u>32,183</u>	 <u>17,868</u>	 <u>5,109</u>	 <u>55,160</u>
 Fund Equity:				
Reserved for Encumbrances	207,175	11,000		218,175
Fund Balance	<u>537,057</u>	<u>140,988</u>	<u>35,449</u>	<u>713,494</u>
 Total Fund Equity	 <u>744,232</u>	 <u>151,988</u>	 <u>35,449</u>	 <u>931,669</u>
 Total Liabilities and Fund Equity	 <u><u>\$776,415</u></u>	 <u><u>169,856</u></u>	 <u><u>40,558</u></u>	 <u><u>986,829</u></u>

The notes to the financial statements are an integral part of this statement.

**GUTHRIE SCHOOL DISTRICT NO. 1  
LOGAN COUNTY, OKLAHOMA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - REGULATORY BASIS  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>SCHOOL AGE CARE FUND</u>	<u>TOTALS (Memorandum Only)</u>
<b>Revenues:</b>				
Local Sources	\$615,876	294,050	114,270	1,024,196
State Sources	456	106,438	47,503	154,397
Federal Sources		856,641		856,641
<b>Total Revenues Collected</b>	<u>616,332</u>	<u>1,257,129</u>	<u>161,773</u>	<u>778,105</u>
<b>Expenditures:</b>				
Instruction	4,595			4,595
Support Services	466,747			466,747
Non-Instructional Services		1,232,574	153,904	1,386,478
Facilities Acquisition	161,058			161,058
Other Outlays		1,300		1,300
Repayments		314	129	443
<b>Total Expenditures</b>	<u>632,400</u>	<u>1,234,188</u>	<u>154,033</u>	<u>786,433</u>
<b>Excess of Revenues Over Expenditures</b>	<u>(16,068)</u>	<u>22,941</u>	<u>7,740</u>	<u>14,613</u>
<b>Other Financing Sources (Uses):</b>				
Return of Assets		1,900		1,900
Estopped Warrants		562		562
Deobligation of Prior Year Funds	(33,270)	2,913		(30,357)
<b>Total Other Financing Sources (Uses):</b>	<u>(33,270)</u>	<u>5,375</u>	<u>0</u>	<u>(27,895)</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>(49,338)</u>	<u>28,316</u>	<u>7,740</u>	<u>(13,282)</u>
<b>Fund Balance, Beginning of Year</b>	<u>586,395</u>	<u>112,672</u>	<u>27,709</u>	<u>726,776</u>
<b>Fund Balance, End of Year</b>	<u>\$537,057</u>	<u>140,988</u>	<u>35,449</u>	<u>713,494</u>

The notes to the financial statements are an integral part of this statement.



**GUTHRIE SCHOOL DISTRICT NO. 1**  
**LOGAN COUNTY, OKLAHOMA**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUDGETED SPECIAL REVENUE FUNDS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Building Fund			Child Nutrition Fund			School Age Care Fund		
	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>									
Local Sources	\$563,097	615,876	52,779	315,290	294,050	(21,240)	122,868	114,270	(8,598)
State Sources		456	456	101,784	106,438	4,654	41,795	47,503	5,708
Federal Sources			0	820,529	856,641	36,112			0
<b>Total Revenues</b>	<b>563,097</b>	<b>616,332</b>	<b>53,235</b>	<b>1,237,603</b>	<b>1,257,129</b>	<b>19,526</b>	<b>164,663</b>	<b>161,773</b>	<b>(2,890)</b>
<b>EXPENDITURES :</b>									
Instruction	7,055	4,595	2,460			0			0
Support Services	978,927	466,747	512,180	350		350			0
Operation of Non-Instructional Services			0	1,320,335	1,232,574	87,761	190,722	153,904	36,818
Facilities Acquisition & Construction Services	163,510	161,058	2,452			0			0
Other Outlays			0	28,740	1,300	27,440	350		350
Repayments			0	850	314	536	1,300	129	1,171
<b>Total Expenditures</b>	<b>1,149,492</b>	<b>632,400</b>	<b>517,092</b>	<b>1,350,275</b>	<b>1,234,188</b>	<b>116,087</b>	<b>192,372</b>	<b>154,033</b>	<b>38,339</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(586,395)</b>	<b>(16,068)</b>	<b>570,327</b>	<b>(112,672)</b>	<b>22,941</b>	<b>135,613</b>	<b>(27,709)</b>	<b>7,740</b>	<b>35,449</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Return of Assets			0		1,900	1,900			0
Estopped Warrants			0		562	562			0
Deobligation of Prior Year Funds		(33,270)	(33,270)		2,913	2,913			0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(33,270)</b>	<b>(33,270)</b>	<b>0</b>	<b>5,375</b>	<b>5,375</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Revenue and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(586,395)</b>	<b>(49,338)</b>	<b>537,057</b>	<b>(112,672)</b>	<b>28,316</b>	<b>140,988</b>	<b>(27,709)</b>	<b>7,740</b>	<b>35,449</b>
<b>Fund Balance, Beginning of Year</b>	<b>586,395</b>	<b>586,395</b>	<b>0</b>	<b>112,672</b>	<b>112,672</b>	<b>0</b>	<b>27,709</b>	<b>27,709</b>	<b>0</b>
<b>Fund Balance, End of Year</b>	<b>\$0</b>	<b>537,057</b>	<b>537,057</b>	<b>0</b>	<b>140,988</b>	<b>140,988</b>	<b>0</b>	<b>35,449</b>	<b>35,449</b>

The notes to financial statements are an integral part of this statement.

**GUTHRIE SCHOOL DISTRICT NO. 1  
LOGAN COUNTY, OKLAHOMA  
COMBINING STATEMENT OF ASSETS AND LIABILITIES - REGULATORY BASIS  
TRUST AND AGENCY FUNDS  
JUNE 30, 2011**

	GIFTS & ENDOWMENTS FUND	INSURANCE FUND	ACTIVITY FUND	TOTALS (Memorandum Only)
<u>ASSETS</u>				
Cash and Cash Equivalents	\$20,095	49,362	298,944	368,401
Total Assets	\$20,095	49,362	298,944	368,401
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Warrants Outstanding	\$0		24,991	24,991
Total Liabilities	0	0	24,991	24,991
Fund Equity:				
Reserved for Encumbrances				0
Fund Balance	20,095	49,362	273,953	343,410
Total Fund Equity	20,095	49,362	273,953	343,410
Total Liabilities and Fund Equity	\$20,095	49,362	298,944	368,401

The notes to the financial statements are an integral part of this statement.

**GUTHRIE SCHOOL DISTRICT NO. 1  
LOGAN COUNTY, OKLAHOMA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - REGULATORY BASIS  
TRUST AND AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>GIFTS &amp; ENDOWMENTS FUND</u>	<u>INSURANCE FUND</u>	<u>ACTIVITY FUND</u>	<u>TOTALS (Memorandum Only)</u>
Revenues:				
Local Sources	<u>\$128</u>	<u>62,758</u>	<u>949,438</u>	<u>1,012,324</u>
Total Revenues Collected	<u>128</u>	<u>62,758</u>	<u>949,438</u>	<u>1,012,324</u>
Expenditures:				
Instruction		11,500		11,500
Support Services		35,567		35,567
Operation of Non Instructional Services	<u>97</u>		<u>919,180</u>	<u>919,277</u>
Total Expenditures	<u>97</u>	<u>47,067</u>	<u>919,180</u>	<u>966,344</u>
Excess of Revenues Over Expenditures	31	15,691	30,258	45,980
Other Financing Sources (Uses):				
Deobligation of Prior Year Funds				<u>0</u>
Total Other Financing Sources (Uses):	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	31	15,691	30,258	45,980
Fund Balance, Beginning of Year	<u>20,064</u>	<u>33,671</u>	<u>243,695</u>	<u>297,430</u>
Fund Balance, End of Year	<u>\$20,095</u>	<u>49,362</u>	<u>273,953</u>	<u>343,410</u>

The notes to the financial statements are an integral part of this statement.

**GUTHRIE SCHOOL DISTRICT NO. 1**  
**LOGAN COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -**  
**REGULATORY BASIS - ACTIVITY FUND - GUTHRIE PUBLIC SCHOOLS**  
**JULY 1, 2010 TO JUNE 30, 2011**

	<u>Balance</u> <u>7/01/10</u>	<u>Deposits</u>	<u>Transfers</u>	<u>Disbursed</u>	<u>Balance</u> <u>6/30/11</u>
Central Faculty	\$2.32	0.00	0.00	0.00	2.32
Central Activity	11,798.02	34,187.40	0.00	32,003.56	13,981.86
Central PTO	2,452.09	4,163.17	(250.00)	2,841.11	3,524.15
Cotteral PTO	2,879.45	11,580.30	(200.00)	10,167.95	4,091.80
Cotteral Activity	8,489.42	35,102.40	(50.00)	27,638.82	15,903.00
Cotteral Faculty	106.83	0.00	0.00	0.00	106.83
Fogarty Parents Org	9,590.35	10,766.14	(250.00)	13,904.63	6,201.86
Fogarty Activity	17,071.11	56,312.60	2,500.00	65,081.16	10,802.55
Fogarty Faculty	414.50	644.32	0.00	714.05	344.77
Gues Activity	6,635.51	86,479.72	0.00	70,265.84	22,849.39
Gues Faculty	210.62	271.59	0.00	277.96	204.25
Fues Parents Org	3,999.28	16,173.86	(250.00)	10,113.63	9,809.51
GHS Special Kids	2,013.92	0.00	0.00	181.24	1,832.68
Art Junior High	1,064.41	1,668.87	0.00	1,988.05	745.23
JH Builders Club	529.44	3,353.00	(590.25)	2,912.23	379.96
Athletics Junior High	5,909.48	23,831.35	0.00	20,881.43	8,859.40
Golf Junior High	1,559.66	3,316.00	0.00	3,010.68	1,864.98
FHA Junior high	459.70	7,613.20	0.00	7,229.07	843.83
Honor Society Jr High	331.00	1,548.00	0.00	1,468.36	410.64
Jr High Account	4,855.28	7,983.97	0.00	9,936.45	2,902.80
JR High Faculty	950.52	3,721.93	0.00	3,387.22	1,285.23
Library Jr High	553.96	11,012.32	1,618.32	8,099.92	5,084.68
Music Jr High	86.57	0.00	(86.57)	0.00	0.00
Cheerleaders Jr High	4,465.95	5,006.25	0.00	8,173.35	1,298.85
Spanish Jr High	410.83	25.00	(435.83)	0.00	0.00
Stuco Jr High	262.45	5,379.42	580.00	4,862.74	1,359.13
T.S.A. Jr High	2,198.22	251.00	0.00	1,444.10	1,005.12
Yearbook Jr High	2,964.47	2,844.65	0.00	5,101.67	707.45
JH Special Olympics	635.19	0.00	0.00	0.00	635.19
Jr High Academic Team	625.91	797.55	(22.00)	1,056.37	345.09
S.W.A.T. Jr High	828.07	0.00	(828.07)	0.00	0.00
Jr High Football Boosters	1,115.71	0.00	0.00	636.30	479.41
Academic Team HS	20.10	105.00	22.00	22.00	125.10
Ar Club HS	3,514.46	2,278.00	0.00	1,866.26	3,926.20
Athletics HS	14,833.86	193,813.31	(206.50)	183,055.40	25,385.27
HS Cheer	11,041.52	20,593.85	0.00	22,938.70	8,696.67
GHS Library	548.00	3,607.22	0.00	3,682.04	473.18
GHS Link Crew	842.85	260.00	(126.28)	579.67	396.90
Band (Operating) HS	5,723.65	39,314.05	1.50	36,374.96	8,664.24
Class of 2011 HS	27.67	8,110.00	(1,423.75)	5,963.76	750.16
Class of 2009 HS	3,161.88	0.00	(3,161.88)	0.00	0.00
Class of 2010 HS	912.79	0.00	0.00	0.00	912.79

**GUTHRIE SCHOOL DISTRICT NO. 1**  
**LOGAN COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -**  
**REGULATORY BASIS - ACTIVITY FUND - GUTHRIE PUBLIC SCHOOLS**  
**JULY 1, 2010 TO JUNE 30, 2011**

	<u>Balance</u> 7/01/10	<u>Deposits</u>	<u>Transfers</u>	<u>Disbursed</u>	<u>Balance</u> 6/30/11
Class of 2012 HS	1,744.67	8,745.00	(80.00)	5,297.68	5,111.99
Class of 2013 HS	541.72	2,965.00	(45.00)	1,516.10	1,945.62
Class of 2014 HS	0.00	5,173.23	(30.00)	4,914.03	229.20
Class of 2008 HS	2,315.35	0.00	(2,315.35)	0.00	0.00
English Club	546.94	1,505.00	0.00	1,692.85	359.09
Courtesy Committee HS	228.14	298.00	0.00	348.50	177.64
Drama HS	159.15	0.00	0.00	0.00	159.15
Faculty Lounge HS	72.28	96.75	(25.00)	65.37	78.66
FFA 4H Booster Clib HS	13,033.95	22,272.20	0.00	21,767.37	13,538.78
FFA HS	12,062.27	49,265.48	0.00	47,337.56	13,990.19
FCCLA (FHA) HS	1,033.25	24,606.93	(70.00)	23,638.69	1,931.49
Foreign Language Span	1,836.15	1,193.15	310.83	1,820.12	1,520.01
GHS Extra Base Club HS	4,148.99	8,543.75	(290.00)	10,757.66	1,645.08
Guthrie Running Club HS	62.42	4,742.00	0.00	4,788.43	15.99
Heritage Club HS	992.82	455.50	(100.00)	461.88	886.44
High School Account	11,736.49	15,710.03	6,356.98	18,838.45	14,965.05
Honor Society HS	1,800.98	2,577.00	0.00	2,424.90	1,953.08
Journalism HS	100.58	8,366.15	290.00	8,514.06	242.67
Key Club HS	487.60	390.00	(80.00)	605.21	192.39
Guthrie Mat Club HS	1,315.21	750.00	0.00	1,089.00	976.21
Mu Alpha Theta HS	356.96	156.50	0.00	0.00	513.46
JROTC HS	346.13	3,200.00	1.85	1,986.68	1,561.30
S.A.D.D. HS	66.87	0.00	0.00	0.00	66.87
Soccer Booster Club HS	1,054.81	616.75	0.00	660.88	1,010.68
Science Club HS	3,903.84	7,356.75	(50.00)	6,710.41	4,500.18
Student Council HS	470.84	22,267.08	195.00	21,110.03	1,822.89
Campus Beautification	7,257.37	3,230.00	(50.00)	5,125.22	5,312.15
Vocal HS	4,477.62	10,029.00	342.93	14,216.47	633.08
VIP Voc Involved Parents	198.56	0.00	(198.56)	0.00	0.00
Yearbook HS	5,649.69	23,619.05	(512.00)	26,635.06	2,121.68
Hs Memorial Fund	135.77	668.20	848.15	1,528.20	123.92
Vocal Trip Account HS	170.93	0.00	0.00	0.00	170.93
GHS Special Olympic Fund	1,749.07	1,443.00	1,900.00	1,795.16	3,296.91
FFA Building Fund	1,500.00	0.00	0.00	0.00	1,500.00
GHS Business Prof of A	1,615.22	2,775.00	59.00	3,517.38	931.84
TV Production/Drama HS	1,665.31	6,750.00	(60.00)	7,051.73	1,303.58
Banquet Account	309.01	0.00	0.00	0.00	309.01
Courtesy Committee Ad	227.87	280.00	0.00	359.50	148.37
General Fund Refund	0.00	9,544.21	330.48	9,874.69	0.00
Hall of Fame Banquet	936.17	0.00	0.00	0.00	936.17
Special Olympics	6,867.26	19,921.23	(4,580.00)	15,672.96	6,535.53
District Elem PTO	0.00	319.00	1,000.00	789.48	529.52
Summer School HS	0.00	10,725.00	0.00	10,725.00	0.00
Faver C&C	719.97	146.01	0.00	584.66	281.32
Transportation C&C	1,977.21	4,195.00	0.00	2,816.44	3,355.77
Vending Machine Admin	527.92	630.25	0.00	445.86	712.31

**GUTHRIE SCHOOL DISTRICT NO. 1  
LOGAN COUNTY, OKLAHOMA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
REGULATORY BASIS - ACTIVITY FUND - GUTHRIE PUBLIC SCHOOLS  
JULY 1, 2010 TO JUNE 30, 2011**

	<u>Balance 7/01/10</u>	<u>Deposits</u>	<u>Transfers</u>	<u>Disbursed</u>	<u>Balance 6/30/11</u>
Gues Honor Choir	3,154.53	405.00	0.00	1,311.83	2,247.70
Native American Parent	205.72	0.00	0.00	0.00	205.72
Administration Misc	7,255.02	3,163.98	10.00	6,751.24	3,677.76
School Age Care	578.77	0.00	0.00	0.00	578.77
C.N. Clearing Acct	0.00	36,903.84	0.00	36,728.84	175.00
S.A.C. Clearing Acct	0.00	12,278.50	0.00	12,278.50	0.00
OSBI Clearing Account	<u>0.00</u>	<u>9,044.00</u>	<u>0.00</u>	<u>6,765.00</u>	<u>2,279.00</u>
<b>TOTAL</b>	<u><u>\$243,694.42</u></u>	<u><u>949,437.96</u></u>	<u><u>(0.00)</u></u>	<u><u>919,179.76</u></u>	<u><u>273,952.62</u></u>

The notes to the financial statements are an integral part of this statement.

**GUTHRIE SCHOOL DISTRICT NO. 1  
LOGAN COUNTY, OKLAHOMA  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2011**

	Project Code	Federal CFDA Number	Program or Award Amount	Cash/ Beginning Balance at July 1, 2010	Federal Receipts	Federal Expenditures	Cash/ Ending Balance at June 30, 2011
<u>Direct Funding:</u>							
Rehabilitation Services	456	84.126	\$10,181.23		7,190.22	10,181.23	(2,991.01)
Title IX Indian Education	561	84.060	52,007.00		42,464.88	51,775.24	(9,310.36)
Title IX Indian Education - Prior Year	799	84.060		(9,696.76)	9,696.76		0.00
Sub-total			62,188.23	(9,696.76)	59,351.86	61,956.47	(12,301.37)
<u>U.S. Department of Education</u>							
Passed through the Department of Education:							
Title I	511	84.010	691,860.86		318,014.21	550,938.85	(232,924.64)
Title I - Prior Year	799	84.010		(245,735.91)	245,735.91		0.00
Title II, Part A Transferability	511	84.367	76,149.28		76,149.28	76,149.28	0.00
Title I - Part A CAC	786	84.010	48,735.98			48,735.98	(48,735.98)
Title I - Part A CAC	799	84.010		(14,512.35)	14,512.35		0.00
Title I - ARRA	516	84.389	97,475.98		81,551.37	97,475.98	(15,924.61)
Title I - ARRA - Prior Year	516	84.389		(13,913.55)	13,913.55		0.00
Title II, Part A	541	84.367	92,700.24		35,929.41	45,814.07	(9,884.66)
Title II, Part A - Prior Year	799	84.367		(33,299.92)	33,299.92		0.00
Title II, Part D	546	84.318	3,560.16		1,490.69	2,567.73	(1,077.04)
Title II, Part D - Prior Year	799	84.318		(1,187.55)	1,187.55		0.00
Title II, Part D	547	84.318	78,427.00			49,757.78	(49,757.78)
Title II, Part D	548	84.318	560.27		128.70	128.70	0.00
Title IV, Part A	551	84.186	8,187.06		8,187.06	8,187.06	0.00
Title IV, Part A - Prior Year	799	84.186		(4,054.57)	4,054.57		0.00
IDEA-B Flow Through	621	84.027	711,303.55		195,925.50	530,459.82	(334,534.32)
IDEA-B Flow Through - Prior Year	799	84.027		(239,630.06)	239,630.06		0.00
IDEA-B Flow Through - ARRA	622	84.391	272,395.45		80,106.79	272,395.04	(192,288.25)
IDEA-B Flow Through - ARRA - Prior Year	799	84.391		(36,022.98)	36,022.98		0.00
Early Intervening Services	623	84.027	25,000.00		10,709.20	15,790.90	(5,081.70)
IDEA-B Flow Through - Private Schools	625	84.027	9,587.25		9,010.00	9,587.25	(577.25)
IDEA-B Flow Through - Private Schools - Prior Year	799	84.027		(6,726.68)	6,726.68		0.00
IDEA-B Pre-School	641	84.173	27,142.48		4,697.87	8,377.24	(3,679.37)
IDEA-B Pre-School - Prior Year	799	84.173		(3,061.65)	3,061.65		0.00
IDEA-B Pre-School 3-5 Section 619	642	84.173	1,274.79			1,274.79	(1,274.79)
IDEA-B Pre-School 3-5 Section 619 - Prior Year	799	84.173		(1,233.19)	1,233.19		0.00
IDEA-B Pre-School - ARRA	643	84.393	9,693.46		9,687.74	9,693.46	(5.72)
Textbooks - ARRA	787	84.397		40,050.28		40,050.28	0.00
Foundation & Salary Incentive Aid - ARRA	782	84.394	688,903.00		688,903.00	688,903.00	0.00
Education Jobs	790	84.410	565,140.00		342,130.07	565,140.00	(223,009.93)
Sub-total			3,408,096.81	(559,328.13)	2,461,999.30	3,021,427.21	(1,118,756.04)
<u>U.S. Department of Education</u>							
Passed through Oklahoma State Department of Vocational Technical Training							
Carl Perkins	421	84.048	42,246.00		29,962.80	41,146.62	(11,183.82)
Carl Perkins - Prior Year	799	84.048		(16,586.88)	16,586.88		0.00
Sub-total			42,246.00	(16,586.88)	46,549.68	41,146.62	(11,183.82)
<u>U.S. Department of Agriculture</u>							
Passed Through the State Department of Education							
Food Service Programs - Lunches	385	10.555	617,030.88		617,030.88	617,030.88	0.00
Food Service Programs - Breakfasts	385	10.553	222,362.36		222,362.36	222,362.36	0.00
Food Service Programs - Summer Food	766	10.559	10,693.90		2,633.83	10,693.90	(8,060.07)
Food Service Programs - Summer Food - Prior Year	799	10.559		(7,423.42)	7,423.42		0.00
USDA Donated Food		10.550	69,094.41		64,684.36	64,684.36	0.00
Sub-total			919,181.55	(7,423.42)	914,134.85	914,771.50	(8,060.07)
<u>Office of Air &amp; Radiation - Environmental Protection Agency</u>							
Environmental Quality	785	66.036	49,792.00		49,629.36	49,629.36	0.00
Sub-total			49,792.00	0.00	49,629.36	49,629.36	0.00
<u>Other Federal Sources</u>							
R.O.T.C.	771	N/A	73,057.59		73,057.59	73,057.59	0.00
Sub-total			73,057.59	0.00	73,057.59	73,057.59	0.00
<b>Total Federal Assistance</b>			<b>\$4,554,562.18</b>	<b>(593,035.19)</b>	<b>3,604,722.64</b>	<b>4,161,988.75</b>	<b>(1,150,301.30)</b>

Note A: Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Yukon Public School District and is presented on an other comprehensive basis of accounting conforming with the accounting practices prescribed or permitted by the Oklahoma State Department of Education which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, expenditures are recognized when an approved purchase order is issued.

Note B: Commodities representing non-cash expenditures have been included in the Schedule of Federal Awards which is an exception to the prescribed basis of accounting.

The notes to the financial statements are an integral part of this statement.

**GUTHRIE SCHOOL DISTRICT NO. 1  
LOGAN COUNTY, OKLAHOMA  
SCHEDULE OF STATUTORY, FIDELITY, AND HONESTY BONDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Terry Simpson - Superintendent  
Employee Dishonesty Bond  
Ohio Casualty Insurance Company - Policy No. 5057279  
\$100,000 Limit  
Effective July 1, 2009 to until cancelled

Donna Scheihing  
Employee Dishonesty Bond  
Ohio Casualty Insurance Company - Policy No. 5057390  
\$300,000 Limit  
Effective July 1, 2010 to July 1, 2011

Dennis Schulz  
Employee Dishonesty Bond  
Ohio Casualty Insurance Company - Policy No. 5057390  
\$100,000 Limit  
Effective July 1, 2010 to July 1, 2011

Sheryl Gilbertson  
Employee Dishonesty Bond  
Ohio Casualty Insurance Company - Policy No. 5057390  
\$100,000 Limit  
Effective July 1, 2010 to July 1, 2011

Vicki Biggs  
Employee Dishonesty Bond  
Ohio Casualty Insurance Company - Policy No. 5057390  
\$100,000 Limit  
Effective July 1, 2010 to July 1, 2011

Anita Paul  
Employee Dishonesty Bond  
Ohio Casualty Insurance Company - Policy No. 5057390  
\$100,000 Limit  
Effective July 1, 2010 to July 1, 2011



## **INTERNAL CONTROL AND COMPLIANCE REPORTS**

# PUTNAM & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

169 S.E. 32<sup>ND</sup>

EDMOND, OKLAHOMA 73013

(405) 348-3800

Fax (405) 348-7965

Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards*

The Honorable Board of Education  
Guthrie School District No. 1  
Logan County, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Guthrie School District No. 1, Logan County, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the District's financial statements and have issued our report thereon dated February 29, 2012. The report on these financial statements is adverse with respect to the presentation of financial statements in conformity with accounting principles generally accepted in the United States of America because the District has elected to prepare its financial statements in conformity with a regulatory basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose prescribed in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement; we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Guthrie School District No. 1 in a separate letter dated February 29, 2012.

This report is intended solely for the information and use of management, the audit committee and others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, though restricted in use, this report is a matter of public record, and its distribution is not limited.



Putnam & Company, PLLC

Edmond, Oklahoma  
February 29, 2012

# PUTNAM & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

169 S.E. 32<sup>ND</sup>

EDMOND, OKLAHOMA 73013

(405) 348-3800

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Report on Compliance with Requirements Applicable to Each Major Program  
and Internal Controls over Compliance In Accordance with  
*Office of Management and Budget Circular A-133*

The Honorable Board of Education  
Guthrie School District No. 1  
Logan County, Oklahoma

## ***Compliance***

We have audited the compliance of Guthrie School District No. 1, Logan County, Oklahoma with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of District's management. Our responsibility is to express an opinion on District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

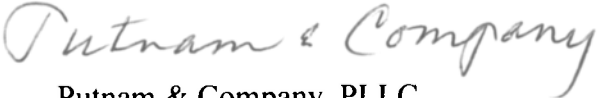
## ***Internal Control Over Compliance***

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A *material weakness* is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Board, management, federal awarding agencies, pass-through entities, all applicable state agencies, and those other Governments from which financial assistance was received, and is not intended to be, and should not be, used by anyone other than these specified parties.

  
Putnam & Company, PLLC

Edmond, Oklahoma  
February 29, 2012

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**GUTHRIE SCHOOL DISTRICT NO. 1  
LOGAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Section I – Summary of Auditors’ Results**

***Financial Statements***

Type of auditors’ report issued: Qualified due to regulatory basis presentation.

Internal control over financial reporting:

- \* Material weakness(es) identified?  Yes  No
- \* Significant Deficiency(ies) identified not considered to be material weakness(es)?  Yes  None Reported

Noncompliance material to financial statement noted?  Yes  No

***Federal Awards***

Internal control over major programs:

- \* Material weakness(es) identified?  Yes  No
- \* Significant Deficiency(ies) identified not considered to be material weakness(es)?  Yes  None Reported

Type of auditors’ report issued on compliance for Major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of OMB Circular A-133?  Yes  No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.010	Title I
84.027	IDEA Flowthrough
84.173	IDEA Preschool
84.394	Foundation & Salary Incentive ARRA
84.410	Education Jobs
10.555, 10.553, 10.550, 10.559	Food Service

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee?  Yes  No

**GUTHRIE SCHOOL DISTRICT NO. 1  
LOGAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Section II – Findings Relating to the Financial Statements**

None

**Section III – Findings and Questioned Costs for Federal Awards**

N/A

**Section IV – Status of Prior Year Audit Findings**

None related to the financial statements or questioned costs for federal awards.

**Section V – Management’s Corrective Action Plan**

N/A



**ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT**



## **MANAGEMENT LETTER AND COMMENTS**

# PUTNAM & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS  
169 S.E. 32ND  
EDMOND, OKLAHOMA 73013  
(405) 348-3800  
fax (405) 348-7965

February 29, 2012

The Honorable Board of Education  
Guthrie School District No. 1  
Logan County, Oklahoma

We have audited financial statements of Guthrie School District No. 1, Logan County, Oklahoma, as of and for the year ended June 30, 2011, as listed in the table of contents, and have issued our report thereon dated February 29, 2012. As a part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and we do not express such an opinion.

However, during our audit we became aware of some matters that, while not involving material weaknesses in internal accounting control, are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated February 29, 2012 on the financial statements of Guthrie School District No. 1.

We will review the status of these comments during our next audit engagement. We would be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

We also wish to express our appreciation of the courteous attention and cooperation which we received from staff members during our engagement.

Sincerely,



Jerry W. Putnam

**GUTHRIE SCHOOL DISTRICT NO. 1  
LOGAN COUNTY, OKLAHOMA  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**PRIOR YEAR'S COMMENTS AND RECOMMENDATIONS**

The prior year's comments have been addressed and resolved.

**CURRENT YEAR'S COMMENTS AND RECOMMENDATIONS**

We reviewed expenditures from the District's General Fund, Building Fund, Child Nutrition Fund, Gift Fund, School Age Care Fund, and Insurance Fund, and we found the supporting documentation to be very good. However, we noted the following during our review:

<b><u>Finding</u></b>	<b><u>No. of Instances</u></b>
Invoice Date Before P.O. Date	1
P.O. Not Available For Review	1

**REVIEW OF ACTIVITY FUND TRANSACTIONS**

During our review of the Activity Fund transactions we noted that the transactions were well documented. However, we noted the following during our review:

<b><u>Findings</u></b>	<b><u>No. of Instances</u></b>
Did Not Sign For Goods/Services	1
Incomplete Documentation	3

**DISTRICT'S RESPONSE TO AUDIT COMMENTS/CORRECTIVE ACTION PLAN**

The District is generally in agreement with the finding and recommendations above and will review current procedures in order to implement necessary changes.